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June 7, 2018

Arizona Corporation Commission

DOCKETED

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

JUN 07 2018

DOCKETED BY

Re: *Application of Circle City Water Company, LLC, pursuant to A.R.S. § 40-285 and A.A.C. R14-2-402(D)* Docket No. W-03510A-18-0095

Dear Interested Parties,

There appears to be much question and concern from the company and the City of Surprise regarding the jurisdiction of the Arizona Corporation Commission as it relates to the friendly condemnation of Circle City Water Company, LLC. The questions and concerns have only been highlighted by the City of Surprise's recent Petition for Special Action in the Arizona Supreme Court, alleging (inaccurately) that the Commission is attempting to block the condemnation of Circle City. *See City of Surprise v. Arizona Corporation Commission, et al.*, Case No., CV-18-0137-SA.

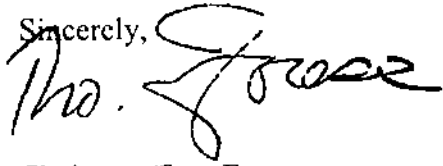
Despite the misguided, speculative, and in some cases false assertions in the Petition, this Commissioner is well aware of the limitations of the Commission's authority. I am comfortable with the Commission's actions to date and the way in which Arizona law has established a proper check and balance of the condemnation process involving a utility. *See A.R.S. § 40-285; Arizona Attorney General Opinion No. 62-7* ("A.R.S. § 40-285 (1956) requires that a privately owned public utility obtain the approval of the Corporation Commission prior to disposing of its assets. This statute is not rendered inoperative even though a municipality or charter city is a purchaser.").

I remain uncomfortable, however, with what appears to be the true nature of underlying transaction that is taking place between the City of Surprise and Circle City. The proposed price that the City of Surprise is offering—estimated between \$10 and \$30 million according to news reports—does not make any sense when considering the sales of other utilities, the number of customers involved here, and the return on invested capital. At such a steep price, it appears the true motivation behind the City of Surprise's condemnation is the acquisition of certain Central Arizona Project water allocations owned by Circle City. This transaction might make sense to the City of Surprise, but the problem I have is that it appears Circle City is using its ownership of scarce water resources to leverage a massive profit.

Despite my concerns, the terms of the friendly condemnation and the multi-million dollar price tag are outside of the Commission's jurisdiction. The purpose of this letter is to acknowledge the inevitability of this transaction, but to also caution other state agencies and regulators that we must do a better job of working together as our water challenges become more complicated.

Individual cities and municipalities jockeying for a bigger piece of a diminishing pie only accelerate our challenges and weaken our position as a state going forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Forese". The signature is fluid and cursive, with the first name "Tom" and last name "Forese" clearly distinguishable.

Chairman Tom Forese
Arizona Corporation Commission

On this 7th day of June, 2018 the foregoing document was filed with Docket Control as a Correspondence From Commissioner, and copies of the foregoing were mailed on behalf of Tom Forese, Chairman – A.C.C. to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

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